

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>CHARTER TOWNSHIP OF OSCODA DOWNTOWN DEVELOPMENT AUTHORITY</b>	County <b>IOSCO</b>
Audit Date <b>12/31/2004</b>	Opinion Date <b>02/21/2005</b>	Date Accountant Report Submitted to State: <b>06/28/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>			
Street Address <b>325 NEWMAN STREET, PO BOX 592</b>	City <b>EAST TAWAS</b>	State <b>MI</b>	ZIP <b>48730</b>
Accountant Signature  <b>Donald W. Brannan CPA</b>		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Gerald D Gracik Jr., CPA  
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Herman A Bertuleit, CPA

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2004

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# *Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Herman A Bertuleit, CPA

February 21, 2005

## Independent Auditors' Report

Members of the Authority Board  
Charter Township of Oscoda  
Downtown Development Authority  
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, Iosco County, Michigan, a component unit of the Charter Township of Oscoda, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the index. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, Iosco County, Michigan, as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2005 on our consideration of the Charter Township of Oscoda Downtown Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 2, the Charter Township of Oscoda Downtown Development Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Stephenson, Gracik & Co., P.C.*



Charter Township of Oscoda  
110 S. State Street  
Oscoda, Michigan 48750

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Office of the Clerk: (989) 739-4971  
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Office of the Superintendent: (989) 739-8299  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Charter Township of Oscoda Downtown Development Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2004. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

### Financial Highlights

- The Authority's assets exceeded its liabilities by \$267,221.
- The Authority's total net assets increased by \$33,432.
- The Authority's governmental fund reported combined ending fund balance of \$267,221 this year, an increase of \$33,432. The entire amount is available for spending (*unreserved fund balance*).

### Overview of the Financial Statements

The financial statements are organized so the reader can understand the Authority as a financial whole. The statements also provide a detailed look at specific financial conditions.

The Authority's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. Because the Authority is a single-purpose government, the government-wide and fund financial statements have been combined. The report also contains other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Authority as a whole. The statements detail the activities of the Authority that are governmental in nature. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets presents the financial condition of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority does not currently have any program revenues. Revenues that are not classified as program revenues are presented as general revenues of the Authority with certain limited exceptions. The

comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Authority.

The Authority is a component unit of the Charter Township of Oscoda. The Authority is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

The Charter Authority of Oscoda Downtown Development Authority displays assets totaling \$267,443 comprised of cash and cash equivalents.

### **Fund Financial Statements**

The Authority uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority's fund is a governmental fund.

#### ***Governmental Funds:***

Governmental funds are those through which all governmental functions of the Authority are financed.

Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the governmental fund according to the purpose for which they may or must be used. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Authority's major governmental fund:

- Special Revenue Fund – This fund accounts for all financial transactions of the Authority, including the general operating expenditures. Revenues are derived primarily from property taxes. The fund was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Charter Township of Oscoda, to eliminate the causes of that deterioration and to promote economic growth.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the Authority *government-wide* and *fund* financial statements. Exhibit C notes 1 – 3 provide a thorough view of various aspects of the audited financial statements.

#### **Other Information :**

In addition to the basic financial statements and accompanying notes, this report also presents a budget and actual statement.

### **Government -Wide and Fund Financial Analysis**

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

The Authority's government-wide and fund financial statements have been combined as the amounts are the same. A reconciliation schedule is not necessary.

**Summary of Net Assets:**

The following summarizes the net assets of the Authority at December 31, 2004:

**Net Assets Summary**

	<b><u>Governmental Activities</u></b>
Current Assets	\$ 267,443
Current Liabilities	<u>222</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ 267,221</u></u>

**Summary of Changes in Net Assets:**

Following is an analysis of the changes in net assets for 2004. Since this is the first year the Authority has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Generally speaking, the Authority's net assets represent the difference between assets and liabilities. It is the Authority's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<b><u>Governmental Activities</u></b>
<b>Program Expenses:</b>	
Community and Economic Development	<u>\$ 751</u>
<b>General Revenues:</b>	
Current Taxes	32,125
Interest on Investments	<u>2,058</u>
<b>Total General Revenues</b>	<u><u>34,183</u></u>
<b>Change in Net Assets</b>	33,432
Beginning Net Assets	<u>233,789</u>
<b>Ending Net Assets</b>	<u><u>\$ 267,221</u></u>

**Governmental Activities**

With GASB 34 implementation, this new component of reporting reflects the *Statement of Activities* and illustrates the expense incurred and revenue received.

Total governmental activities reveal revenues of \$34,183 from property taxes and interest on investments. Operating expenses totaled \$751 for these same activities.

### **Budgetary Highlights**

Fiscal Year 2004 saw the Authority Special Revenue Fund Balance increase from \$233,789 to \$267,221. This was the result of minimal expenditures of only \$751 in the year ending December 31, 2004. Actual expenditures were well below budgeted expenditures of \$4,300.

### **Economic Factors**

It is anticipated that financial activity of the Downtown Development Authority will increase significantly in the future as efforts are undertaken to implement the Tax Increment Finance and Development Plan. Discussions have been initiated with the Michigan Department of Transportation regarding pursuit of grant funding to construct streetscape improvements. This is anticipated to require professional planning assistance, with related expenditures, in the upcoming fiscal year. Should these efforts prove successful the DDA is likely to be providing a significant amount of funding to the projects in the form of local match for grant proceeds thereafter.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter Township of Oscoda Superintendent, 1110 South State Street, Oscoda, Michigan, 48750.



CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

GOVERNMENTAL FUND BALANCE SHEET/  
STATEMENT OF NET ASSETS  
December 31, 2004

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash and cash equivalents (Note 3)	\$ 267,443	\$ 0	\$ 267,443
<u>Liabilities</u>			
Due to primary government	\$ 222	0	222
<u>Fund Equity/Net Assets</u>			
Fund balances:			
Unreserved, reported in:			
Special revenue fund	267,221	(267,221)	(0)
Total Liabilities and Fund Equity	\$ 267,443		
Net assets:			
Unrestricted		\$ 267,221	\$ 267,221

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

STATEMENT OF GOVERNMENTAL FUND REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCES/  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2004

	<u>Total Governmental Fund/Statement of Activities</u>
<u>Revenue</u>	
Current taxes	\$ 32,125
Interest on investments	<u>2,058</u>
Total revenue	<u>34,183</u>
 <u>Expenditures</u>	
Professional services	520
Other	<u>230</u>
Total expenditures	<u>750</u>
 Excess of revenue over expenditures	 33,432
 <u>Fund balance/net assets:</u>	
Fund balance - beginning of year	 <u>233,789</u>
 Fund balance - end of year	 <u>\$ 267,221</u>

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of Authority's Operations

The Charter Township of Oscoda Downtown Development Authority operates under the supervision and control of the Board of Trustees consisting of the Supervisor of the Charter Township of Oscoda and ten (10) members as provided by Act 197. The Authority was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Township, to eliminate the causes of that deterioration and to promote economic growth.

These financial statements have been combined with the Charter Township of Oscoda's basic financial statements, and are presented as a discrete component unit of the Township.

B. Basis of Presentation

The Authority's basic financial statements combine the government-wide financial statements and the fund financial statements as permitted because the Authority is a special purpose government that engages in a single type of activity. The statement of net assets is combined with the governmental fund balance sheet on Exhibit A, and the adjustment column reconciles the differences between the two statements. The statement of activities and governmental fund revenue, expenditures, and changes in fund balances are combined on Exhibit B where, the reconciling adjustment column is not included due to the information being the same for both statements.

**Government-Wide Financial Statements**

The governmental fund balance sheet/statement of net assets and the statement of governmental fund revenue, expenditures and changes in fund balance/statement of activities display information about the Authority as a whole.

The governmental fund balance sheet/statement of net assets presents the financial condition of the governmental activities of the Authority at year end. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

**Fund Financial Statements**

During the year, the Authority segregates transactions related to certain Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level.

C. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Fund**

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental fund according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Authority's special revenue fund is considered a governmental fund.

D. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus.

All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets.

**Fund Financial Statements**

The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Continued)

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Authority, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the Authority's revenue sources are considered both measurable and available at year end.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgets and Budgetary Accounting

The Charter Township of Oscoda Downtown Development Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority Chairman submits to the Authority Board a proposed operating budget which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a Board motion.

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Authority Board throughout the year.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Authority Board.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

I. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2004, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; Number 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 34 creates new basic financial statements for reporting on the Authority's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting. The government-wide financial statements split the Authority's programs between governmental activities and business type activities. The Authority does not currently have any business-type activities.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Authority's deposits were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	<u>\$ 267,443</u>
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The breakdown between deposits is as follows:

Bank Deposits (checking account)	\$ 521
Investment in Municipal Investment Account	
Pooled Funds and Similar Vehicles	<u>266,922</u>
	<u>\$ 267,443</u>

Deposits:

Deposits are carried at cost. Deposits of the Charter Township of Oscoda Downtown Development Authority are held at National City Bank, Oscoda, Michigan, in the name of the Township Treasurer. At year end, the carrying amounts of the Authority's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	<u>\$ 521</u>	<u>\$ 521</u>

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

The Authority has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Authority to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Authority's deposits and investments are in accordance with statutory authority.

All investments at December 31, 2004 consisted of the following which are not required to be categorized:

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>Nonrisk-Categorized</u>		
Financial institution pooled funds	<u>\$ 266,922</u>	<u>\$ 266,922</u>

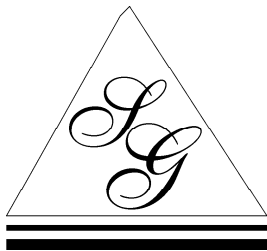


REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF OSCODA  
DOWNTOWN DEVELOPMENT AUTHORITY  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Current taxes	\$ 41,000	\$ 32,000	\$ 32,125	\$ 125
Interest on investments	<u>1,300</u>	<u>1,500</u>	<u>2,058</u>	<u>558</u>
Total revenue	<u>42,300</u>	<u>33,500</u>	<u>34,183</u>	<u>683</u>
<u>Expenditures</u>				
<u>Community and economic development</u>				
Professional services	3,600	3,600	520	3,080
Other	<u>700</u>	<u>700</u>	<u>230</u>	<u>470</u>
Total expenditures	<u>4,300</u>	<u>4,300</u>	<u>750</u>	<u>3,550</u>
Excess of revenue over expenditures	38,000	29,200	33,432	4,232
Fund balance - beginning of year	<u>233,789</u>	<u>233,789</u>	<u>233,789</u>	<u>0</u>
Fund balance - end of year	<u>\$ 271,789</u>	<u>\$ 262,989</u>	<u>\$ 267,221</u>	<u>\$ 4,232</u>



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

Alan J Stephenson, CPA  
Gerald D Gracik Jr., CPA  
James J Gracik, CPA  
E. Thad Gray, CPA  
Donald W. Brannan, CPA  
Kyle E Troyer, CPA

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Herman A Bertuleit, CPA

February 21, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Authority Board  
Charter Township of Oscoda  
Downtown Development Authority  
Iosco County, Michigan

We have audited the financial statements of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Charter Township of Oscoda Downtown Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Oscoda Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Authority Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties

*Stephenson, Gracik & Co., P.C.*

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